

**CITY OF PLEASANT HILL**  
**INDEPENDENT AUDITOR'S REPORTS**  
**BASIC FINANCIAL STATEMENTS**  
**AND SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF FINDINGS**

**June 30, 2007**

# CITY OF PLEASANT HILL

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**CITY OF PLEASANT HILL**

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## CITY OF PLEASANT HILL

### OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2007)		
Phil Hildebrand . . . . .	Mayor . . . . .	Dec 2009
Joe Rivas . . . . .	Mayor pro tem . . . . .	Dec 2007
Jason Dively . . . . .	Council Member . . . . .	Dec 2009
Martha Miller . . . . .	Council Member . . . . .	Dec 2009
Joe Rivas . . . . .	Council Member . . . . .	Dec 2007
Nicholas Sikes . . . . .	Council Member . . . . .	Dec 2007
Gay Wilson . . . . .	Council Member . . . . .	Dec 2007
Bob Fagen . . . . .	City Manager	
Joni Haag . . . . .	City Clerk	
Edwin Skinner . . . . .	Attorney . . . . .	Indefinite
(After January 2007)		
Phil Hildebrand . . . . .	Mayor . . . . .	Dec 2009
Joe Rivas . . . . .	Mayor pro tem . . . . .	Dec 2007
Jason Dively . . . . .	Council Member . . . . .	Dec 2009
Martha Miller . . . . .	Council Member . . . . .	Dec 2009
Joe Rivas . . . . .	Council Member . . . . .	Dec 2007
Nicholas Sikes . . . . .	Council Member . . . . .	Resigned February 27, 2007
Gay Wilson . . . . .	Council Member . . . . .	Dec 2007
Mark Langarud . . . . .	Council Member (Beginning March 27, 2007) . .	Dec 2007
Bob Fagen . . . . .	City Manager	
Joni Haag . . . . .	City Clerk	
Edwin Skinner . . . . .	Attorney . . . . .	Indefinite



**MARTENS & COMPANY, CPA, LLP**

CERTIFIED PUBLIC ACCOUNTANTS

4949 Pleasant Street, Suite 104

West Des Moines, Iowa 50266

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FAX: (515)-223-0851

**INDEPENDENT AUDITOR'S REPORT**

To the Honorable Mayor and  
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Pleasant Hill, Iowa as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Pleasant Hill's management. Our responsibility is to express an opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Pleasant Hill as of June 30, 2007, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our reports dated October 5, 2007 on our consideration of the City of Pleasant Hill's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 6 through 11 and 27 through 28 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Pleasant Hill's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2006 (none of which are presented herein) and expressed unqualified opinions on those financial statements which were prepared in conformity with an other comprehensive basis of accounting. Other supplementary information included in Schedules 1 through 5, including the Schedule of Expenditures of Federal Awards Required by U.S. Office of Management and Budget (OMB) Circular A-133, Audit of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Martens & Company, CPA, LLP*

West Des Moines, Iowa  
October 5, 2007

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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The City of Pleasant Hill provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2007. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

### **FINANCIAL HIGHLIGHTS**

- The City's governmental funds' receipts decreased 3%, or approximately \$252,000, from fiscal year 2006 (FY06). Property tax increased approximately \$827,000 due to increased tax increment financing collections. Bond and note proceeds decreased \$1,549,000.
- City program disbursements increased 5%, or approximately \$400,000, from FY06. Public works, public safety, general government, community and economic development, debt service and culture and recreation expense increased approximately \$490,000, \$45,000, \$77,000, \$70,000, \$32,000 and \$37,000, respectively. Capital projects decreased \$349,000.
- The City's total cash basis net assets at June 30, 2007 increased approximately 17% or approximately \$874,000 from June 30, 2006. Of this amount, the City's governmental activities cash basis net assets at June 30, 2007 increased approximately 14%, or approximately \$604,000, from June 30, 2006 and the assets of the business-type activities increased approximately \$270,000.

### **USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements as well as other requirements as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the government's financial activities.

The Government-wide Financial Statements consists of a statement of activities and changes in cash balances. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statements by providing information about the most significant funds.

Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Other supplementary information provides detail information about the nonmajor governmental funds. In addition, the schedule of federal awards provides details of various federal programs benefitting the City.

### **Basis of Accounting**

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

## **REPORTING THE CITY'S FINANCIAL ACTIVITIES**

### *Government-wide Financial Statement*

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Assets reports information which helps answer this question.

The Statement of Activities and Net Assets presents the City's net assets. Over time, increases or decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities and Net Assets is divided into two kinds of activities:

- Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Property and other taxes finance most of these activities.
- Business Type Activities include the waterworks, the sanitary sewer and solid waste systems. These activities are financed primarily by user charges.

### *Fund Financial Statements*

The City has two kinds of funds:

1) Governmental funds account for most of the City's basic services. They focus on how money flows into and out of the funds and the balances at year-end that are available for spending. Governmental funds include: 1) the General Fund, 2) the Special Revenue Funds such as Road Use Tax and Urban Renewal Tax Increment, 3) the Debt Service Fund 4) the Capital Projects Fund and 5) the Permanent Fund. The governmental fund financial statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statements for governmental funds include a statement of cash receipts, disbursements and changes in cash balances.

2) Proprietary funds account for the City's Enterprise Funds and for the Internal Service Fund. Enterprise Funds are used to report the same functions presented as business-type activities in the government-wide statement of activities and changes in cash balance. The City maintains three Enterprise Funds to provide separate information for the water, and sewer funds, considered to be major funds of the City and the Solid Waste Fund. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the City's various functions.

The required financial statements for proprietary funds include a statement of cash receipts, disbursements and changes in cash balances.

Reconciliations between the government-wide statements and the fund financial statements follow the fund financial statements.



## GOVERNMENT-WIDE FINANCIAL ANALYSIS

### Government Activities

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased from a year ago from \$4.27 million to \$4.88 million. The analysis that follows focuses on the changes in cash balances.

Changes in Cash Basis Net Assets of Governmental Activities (Expressed in Thousands)		
	Year ended June 30,	
	2007	2006
Receipts and transfers:		
Program receipts:		
Charges for service and sales	\$ 644	\$ 643
Operating grants, contributions and restricted interest	830	768
Capital grants, contributions and restricted interest	1,198	474
General receipts:		
Property tax	5,107	5,137
Hotel motel tax	80	45
Other tax	948	-
Grants and contributions not restricted to specific purposes	20	-
Unrestricted investment earnings	61	45
Bond and note proceeds	151	1,700
Other general receipts	461	940
Transfers, net	50	615
Total receipts and transfers	9,550	10,367
Disbursements:		
Public safety	1,818	1,328
Public works	930	885
Health and social services	6	8
Culture and recreation	585	548
Community and economic development	699	629
General government	638	561
Debt service	1,568	1,536
Capital projects	2,702	3,051
Total disbursements	8,946	8,546
Increase (decreases) in cash basis net assets	604	1,821
Cash basis net assets beginning of year	4,272	2,451
Cash basis net assets end of year	\$ 4,876	\$ 4,272

The City's total receipts for governmental activities increased by 3 percent (\$252,000). The total cost of all programs and services increased by approximately \$400,000 or 5.0 percent with no new programs added this year. Receipts increased due to increased TIF taxes received, a grant for the 12th Avenue project and funds received from Polk County infrastructure during the year ended June 30, 2007.

Based on increases in the total assessed valuation and expanded tax increment finance districts, property tax receipts are budgeted to increase by an additional \$44,905 next year.

The cost of all governmental activities this year was \$8.9 million compared to \$8.5 million last year. However, as shown in the statement of activities and net assets on page 12, the amount that our taxpayers ultimately financed for these activities through City taxes was only \$6.274 million because some of the cost was paid by those directly benefitted from the programs (\$644,000) or by other governments and organizations that subsidized certain programs with grants and contributions (\$2,028,000). Overall, the City's governmental program receipts, including intergovernmental aid and fees for service, increased in 2007 from approximately \$1,885,000 to approximately \$2,672,000, principally due to an increase in capital grants, contributions and restricted interest. The City paid for the remaining public benefit portion of governmental activities with approximately \$6,135,000 in tax (some of which could only be used for certain programs) with cash reserves and with other receipts, such as interest and general entitlements.

### Business Type Activities

Changes in Cash Basis Net Assets of Business-Type Activities (Expressed in Thousands)		
	Year ended June 30,	
	2007	2006
Receipts:		
Program receipts:		
Charges for service and sales:		
Water	\$ 205	\$ 340
Sewer	1,129	996
Solid waste	292	253
General receipts:		
Other general receipts	31	25
Total receipts	<u>1,657</u>	<u>1,614</u>
Disbursements:		
Water	220	312
Sewer	848	849
Solid waste	269	229
Transfers	50	615
Total disbursements and transfers	<u>1,387</u>	<u>2,005</u>
Increase (decrease) in cash balance	270	(391)
Cash basis of net assets beginning of year	<u>\$ 822</u>	<u>1,213</u>
Cash basis net assets end of year	<u>\$ 1,092</u>	<u>\$ 822</u>

Total business-type activities receipts for the fiscal year were \$1.657 million compared to \$1.614 million last year. This increase was due primarily to the increased sewer and solid waste fees. The cash balance increased by approximately \$270,000 from the prior year. Total disbursements for the fiscal year decreased by approximately 4 percent to a total of \$1.337 million due to decreased amounts paid to the Des Moines Water Works.

## **INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS**

As the City of Pleasant Hill completed the year, its governmental funds reported a combined fund balance of \$4,554,000, an increase of more than \$552,000 above last year's total of \$4,002,000. The following are the major reasons for the changes in cash balances from the prior year for the City's major funds.

### **Governmental Funds**

- The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the cash balance of the General Fund was \$1,183,293, an increase of \$111,530 from the prior year. Most of this increase was due to increased receipts from property taxes.
- The Urban Renewal Tax Increment Fund was established to account for major urban renewal projects within the City's TIF districts. At the end of the fiscal year, the cash balance was \$1,062,904, an increase of \$360,291 from the previous year. The increase was the result of increased TIF taxes collected in the current fiscal year. Any TIF debt will be paid off with incremental property taxes generated from the increased taxable valuation in the district.
- The Debt Service Fund cash balance increased by \$412 to \$27,067. Bond principal and interest payments increased by \$32,000.
- The Capital Projects Fund was established to account for all resources used in the acquisition and construction of capital facilities with the exception of those that are financed through Enterprise Funds. At the end of the fiscal year, the cash balance was \$1,908,407, a decrease of approximately \$17,000 from the prior year due to the City not issuing any new bonds.

### **Individual Major Business Type Fund Analysis**

The cash balance of the Sewer Fund increased by \$272,961 to \$668,135 due primarily to increased sewer charges.

The cash balance of the Water Fund decreased by \$28,012 to \$342,612 due primarily to Des Moines Water Works funding not being received until after the current year end.

## **BUDGETARY HIGHLIGHTS**

In accordance with the Code of Iowa, the City Council annually adopts a budget following required public notice and hearings for all funds. Although the budget document presents functional disbursements by fund, the legal level of control is at the aggregated function level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Over the course of the year, the City amended its operating budget once. The amendment was approved on February 27, 2007 to provide for additional expenditures in certain City departments. The City had sufficient cash balances to absorb these additional costs.

## **DEBT ADMINISTRATION**

At June 30, 2007, the City had \$9,356,000 in bonds and other long-term debt compared to \$10,390,000 last year as shown below.

Outstanding Debt at Year-End (Expressed in Thousands)		
	June 30,	
	2007	2006
General obligation bonds	\$ 9,205	\$ 10,390
General obligation note	151	-
Total	\$ 9,356	\$ 10,390

Debt decreased as a result of the City repaying obligations under normal bond repayment terms.

The City does not have a general obligation bond rating. The Constitution of the State of Iowa limits the amount of general obligation debt that cities can issue to 5 percent of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$9.36 million plus its tax increment financing rebate agreements of 3.024 million are below the City's \$39.05 million legal debt limit.

More detailed information about the City's long-term liabilities is presented in Notes 3, 4, 5 and 6 to the financial statements.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The City's elected and appointed officials and citizens considered many factors when setting the 2007-2008 fiscal year budget, tax rates, and fees that will be charged for various city activities. One of those factors is the economy. The City's population has grown from 5,070 in the 2000 census, to 6,961 in the 2005 special census. Amounts available for appropriation in the 2007-2008 budget are \$23.0 million, compared to an amount of \$13.1 million in the final 2006-2007 budget.

## **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Joni Haag, City Clerk, Pleasant Hill, Iowa 50327.

## **Basic Financial Statements**

CITY OF PLEASANT HILL

Statement of Activities and Net Assets - Cash Basis

As of and for the year ended June 30, 2007

		Program Receipts			Net (Disbursements)Receipts and Changes in Cash Basis Net Assets		
		Charges for Service and Sales	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business-Type Activities	Total
<b>Functions/Programs:</b>	<b>Disbursements</b>						
Governmental activities:							
Public safety	\$ 1,818,545	\$ 455,282	\$ 72,382	\$ 104,625	\$ (1,186,256)	\$ -	\$ (1,186,256)
Public works	929,547	-	585,739	-	(343,808)	-	(343,808)
Health and social services	6,461	-	-	-	(6,461)	-	(6,461)
Culture and recreation	585,022	22,086	98,216	-	(464,720)	-	(464,720)
Community and economic development	698,486	159,169	60,894	-	(478,423)	-	(478,423)
General government	637,580	7,801	12,451	-	(617,328)	-	(617,328)
Debt service	1,568,262	-	-	-	(1,568,262)	-	(1,568,262)
Capital projects	2,701,869	-	-	1,093,334	(1,608,535)	-	(1,608,535)
Total governmental activities	8,945,772	644,338	829,682	1,197,959	(6,273,793)	-	(6,273,793)
Business-type activities:							
Water	219,887	204,740	-	-	-	(15,147)	(15,147)
Sewer	847,947	1,129,426	-	-	-	281,479	281,479
Solid waste	269,201	291,820	-	-	-	22,619	22,619
Total business-type activities	1,337,035	1,625,986	-	-	-	288,951	288,951
Total	<u>\$10,282,807</u>	<u>\$2,270,324</u>	<u>\$ 829,682</u>	<u>\$1,197,959</u>	<u>(6,273,793)</u>	<u>288,951</u>	<u>(5,984,842)</u>
General receipts:							
Property and other city tax levied for:							
General purposes					1,595,387	-	1,595,387
Tax increment financing					2,959,637	-	2,959,637
Debt service					551,563	-	551,563
Hotel motel tax					79,767	-	79,767
Other tax					947,739	-	947,739
Grants and contributions not restricted to specific purpose					19,605	-	19,605
Unrestricted investment earnings					60,773	31,042	91,815
Note proceeds					151,000	-	151,000
Miscellaneous					451,566	-	451,566
Sale of capital assets					11,093	-	11,093
Transfers					50,000	(50,000)	-
Total general receipts and transfers					6,878,130	(18,958)	6,859,172
Change in cash basis net assets					604,337	269,993	874,330
Cash basis net assets beginning of year					4,271,557	822,342	5,093,899
Cash basis net assets end of year					<u>\$ 4,875,894</u>	<u>\$1,092,335</u>	<u>\$ 5,968,229</u>
<b>Cash Basis Net Assets</b>							
Restricted:							
Streets					\$ 212,817	\$ -	\$ 212,817
Urban renewal purposes					1,062,904	-	1,062,904
Capital projects					1,908,407	-	1,908,407
Debt service					27,067	-	27,067
Other purposes					481,406	22,436	503,842
Unrestricted					1,183,293	1,069,899	2,253,192
Total cash basis net assets					<u>\$ 4,875,894</u>	<u>\$ 1,092,335</u>	<u>\$ 5,968,229</u>

See notes to financial statements.

CITY OF PLEASANT HILL

Statement of Cash Receipts, Disbursements and Changes in Cash Balances  
Governmental Funds

As of and for the year ended June 30, 2007

	Special Revenue				
	General	Urban Renewal Tax Increment	Debt Service	Capital Projects	Other Nonmajor Governmental Funds
					Total
Receipts:					
Property tax	\$ 1,389,518	\$ -	\$ 551,563	\$ -	\$ 2,146,950
Tax increment financing collections	-	2,959,637	-	-	2,959,637
Other City tax	781,060	-	179,526	-	1,060,213
Licenses and permits	265,340	-	-	-	265,340
Use of money and property	60,385	60,894	8,788	11,965	154,136
Intergovernmental	223,103	-	-	323,950	1,127,217
Charges for service	320,447	-	-	-	322,187
Special assessments	-	-	-	3,811	3,811
Miscellaneous	443,067	-	-	753,608	1,196,675
Total receipts	3,482,920	3,020,531	739,877	1,093,334	9,236,166
Disbursements:					
Operating:					
Public safety	1,419,971	-	-	-	1,419,971
Public works	312,297	-	-	-	827,456
Health and social services	6,461	-	-	-	6,461
Culture and recreation	585,022	-	-	-	585,022
Community and economic development	397,792	300,694	-	-	698,486
General government	576,011	-	-	-	576,011
Debt service	-	-	1,568,262	-	1,568,262
Capital projects	-	-	-	2,701,869	2,701,869
Total disbursements	3,297,554	300,694	1,568,262	2,701,869	8,383,538
Excess (deficiency) of receipts over (under) disbursements	185,366	2,719,837	(828,385)	(1,608,535)	852,628
Other financing sources (uses):					
Sale of capital assets	593	-	-	-	593
Operating transfers in	301,588	-	828,797	1,591,297	2,736,151
Operating transfers out	(376,017)	(2,359,546)	-	-	(3,037,151)
Total other financing sources (uses)	(73,836)	(2,359,546)	828,797	1,591,297	(300,407)
Net change in cash balances	111,530	360,291	412	(17,238)	552,221
Cash balances beginning of year	1,071,763	702,613	26,655	1,925,645	4,001,551
Cash balances end of year	\$ 1,183,293	\$ 1,062,904	\$ 27,067	\$ 1,908,407	\$ 4,553,772
Cash Basis Fund Balances					
Reserved:					
Debt service	\$ -	\$ -	\$ 27,067	\$ -	\$ 27,067
Unreserved:					
General fund	1,183,293	-	-	-	1,183,293
Special revenue funds	-	1,062,904	-	-	1,384,742
Capital projects fund	-	-	-	1,908,407	1,908,407
Permanent fund	-	-	-	-	50,263
Total cash basis fund balances	\$ 1,183,293	\$ 1,062,904	\$ 27,067	\$ 1,908,407	\$ 4,553,772

See notes to financial statements.

## CITY OF PLEASANT HILL

Reconciliation of the Statement of Cash  
Receipts, Disbursements and Changes in Cash Balances  
to the Statement of Activities and Net Assets -  
*Governmental Funds*

As of and for the year ended June 30, 2007

**Total governmental funds cash balances (page 13)** \$ 4,553,772

***Amounts reported for governmental activities in the Statement of Activities  
and Net Assets are different because:***

The Internal Service Fund is used by management to charge the costs of partial self funding of the equipment replacement. The assets of the Internal Service Fund are included in governmental activities in the Statement of Net Assets.

322,122

**Cash basis net assets of governmental activities (page 12)**

\$ 4,875,894

**Net change in cash balances (page 13)**

552,221

***Amounts reported for governmental activities in the Statement of Activities  
and Net Assets are different because:***

The Internal Service Fund is used by management to charge the costs of equipment replacement to individual funds. The change on net assets of the Internal Service Fund is reported with governmental activities.

52,116

**Change in cash balance of governmental activities (page 12)**

\$ 604,337

See notes to financial statements.



## CITY OF PLEASANT HILL

Statement of Cash Receipts, Disbursements and Changes in Cash Balances  
*Proprietary Funds*

As of and for the year ended June 30, 2007

	Enterprise Funds				Internal Service Fund
	Nonmajor				
	Water	Sewer	Solid Waste	Total	Equipment Replacement
Operating receipts:					
Use of money and property	\$ 31,850	\$ -	\$ -	\$ 31,850	\$ -
Charges for service	172,890	1,111,226	284,576	1,568,692	-
Intergovernmental	-	-	-	-	104,624
Miscellaneous	-	18,200	7,244	25,444	-
Total operating receipts	<u>204,740</u>	<u>1,129,426</u>	<u>291,820</u>	<u>1,625,986</u>	<u>104,624</u>
Operating disbursements:					
Governmental activities:					
Public safety	-	-	-	-	398,574
Public works	-	-	-	-	102,091
General government	-	-	-	-	61,569
Business-type activities	<u>219,887</u>	<u>655,965</u>	<u>269,201</u>	<u>1,145,053</u>	<u>-</u>
Total operating disbursements	<u>219,887</u>	<u>655,965</u>	<u>269,201</u>	<u>1,145,053</u>	<u>562,234</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	(15,147)	473,461	22,619	480,933	(457,610)
Non-operating receipts (disbursements):					
Interest on investments	12,135	16,482	2,425	31,042	7,725
Debt service	<u>-</u>	<u>(191,982)</u>	<u>-</u>	<u>(191,982)</u>	<u>-</u>
Total non-operating receipts (disbursements)	<u>12,135</u>	<u>(175,500)</u>	<u>2,425</u>	<u>(160,940)</u>	<u>7,725</u>
Excess (deficiency) of receipts over (under) disbursements	(3,012)	297,961	25,044	319,993	(449,885)
Debt Proceeds	-	-	-	-	151,000
Operating transfers in	-	-	-	-	351,000
Operating transfers out	<u>(25,000)</u>	<u>(25,000)</u>	<u>-</u>	<u>(50,000)</u>	<u>-</u>
Net change in cash balances	(28,012)	272,961	25,044	269,993	52,115
Cash balances beginning of year	<u>370,624</u>	<u>395,174</u>	<u>56,544</u>	<u>822,342</u>	<u>270,007</u>
Cash balances end of year	<u>\$ 342,612</u>	<u>\$ 668,135</u>	<u>\$ 81,588</u>	<u>\$1,092,335</u>	<u>\$ 322,122</u>
<b>Cash Basis Fund Balances</b>					
Reserved for meter deposits	\$ 22,437	\$ -	\$ -	\$ 22,437	\$ -
Unreserved	<u>320,175</u>	<u>668,135</u>	<u>81,588</u>	<u>1,069,898</u>	<u>322,122</u>
Total cash basis fund balances	<u>\$ 342,612</u>	<u>\$ 668,135</u>	<u>\$ 81,588</u>	<u>\$1,092,335</u>	<u>\$ 322,122</u>

See notes to financial statements.

## CITY OF PLEASANT HILL

### Notes to Financial Statements

June 30, 2007

#### (1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Pleasant Hill is a political subdivision of the State of Iowa located in Polk County. It was incorporated in 1956 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, culture and recreation, community and economic development and general government services. The City also provides water and sewer utilities for its citizens.

##### A. Reporting Entity

For financial reporting purposes, the City of Pleasant Hill has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the City. The City of Pleasant Hill has no component units which meet the Governmental Accounting Standards Board criteria.

##### Joint Venture

The City participates in the Des Moines Metropolitan Wastewater Reclamation Authority (WRA). The WRA, a joint venture, was developed as the result of an agreement between the City of Des Moines and surrounding municipalities. (See Note 4)

##### Jointly Governed Organizations

The City also participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions; Polk County Assessor's Conference Board, Polk County Emergency Management Commission, Polk County Joint E911 Service Board, Des Moines Area Metropolitan Planning Organization and Polk County Firefighters Association.

##### B. Basis of Presentation

Government-wide Financial Statements - The statement of activities and net assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of the interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

## CITY OF PLEASANT HILL

### Notes to Financial Statements - Continued

June 30, 2007

#### (1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

##### B. Basis of Presentation - Continued

The statement of activities and net assets presents the City's nonfiduciary net assets. Net assets are reported in two categories:

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets that do not meet the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The statement of activities and net assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements - Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Urban Renewal Tax Increment Fund is used to account for urban renewal projects financed by tax increment financing.

The Debt Service Fund is utilized to account for the payment of interest and principal on the City's general long-term debt.

## CITY OF PLEASANT HILL

### Notes to Financial Statements - Continued

June 30, 2007

#### (1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

##### B. Basis of Presentation - Continued

The Capital Projects Fund is utilized to account for all resources used in the acquisition and construction of capital facilities with the exception of those that are financed through enterprise funds.

The City reports the following major proprietary funds:

The Water Fund accounts for the operation and maintenance of the City's water system.

The Sewer Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

The City also reports the following additional proprietary fund:

An Internal Service Fund is utilized to account for the financing of goods or services purchased by one department of the City and provided to other departments or agencies on a cost reimbursement basis. This is composed of the equipment replacement fund. This proprietary fund is reported with governmental activities in the government wide statements.

##### C. Measurement Focus and Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants (I.A.) and then by general receipts.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

# CITY OF PLEASANT HILL

## Notes to Financial Statements - Continued

June 30, 2007

### (1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

#### D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2007, disbursement did not exceed the amounts budgeted.

### (2) CASH AND POOLED INVESTMENTS

The City's deposits in banks at June 30, 2007, were entirely covered by Federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

### (3) BONDS AND NOTES PAYABLE

Annual debt service requirements to maturity for general obligation bonds and notes are as follows:

June 30,	General Obligation Bonds/Notes	
	Principal	Interest
2008	\$ 1,346,000	\$ 349,429
2009	1,225,000	300,965
2010	1,165,000	256,493
2011	1,335,000	214,145
2012	1,345,000	164,755
2013	1,400,000	114,710
2014	565,000	61,375
2015	230,000	38,655
2016	235,000	28,955
2017	160,000	18,890
2018	170,000	13,130
2019	180,000	6,840
	<u>\$ 9,356,000</u>	<u>\$ 1,568,342</u>

Total debt repayments were \$1,185,000 and interest expense paid was \$379,362 for the year ended June 30, 2007. Interest rates on debt range from 2.55% to 5.80%.

## **CITY OF PLEASANT HILL**

### **Notes to Financial Statements - Continued**

June 30, 2007

#### **(3) BONDS AND NOTES PAYABLE - CONTINUED**

##### Prior Years' Debt Defeasance

In prior years, the City has defeased various bond issues by creating separate irrevocable trust funds. New debt has been issued and the proceeds have been used to purchase U.S. government securities that were placed in the trust funds. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt has been considered defeased and therefore removed as a liability from the City's government-wide financial statements. As of June 30, 2007, the amount of defeased debt outstanding but removed from the General Long-Term Debt amounted to \$1,240,000.

Legacy Bank loaned the City \$151,000 on May 22, 2007 for the purpose of acquiring equipment for the fire, police, street and utility departments. The note is to be repaid in one payment due June 1, 2008. The note bears interest due semi-annually at 3.90%.

#### **(4) JOINT VENTURE AND COMMITMENTS**

The City is a participating community in the Des Moines Metropolitan Wastewater Reclamation Authority (WRA) joint venture. This joint venture provides primary and secondary treatment of sewer flows for the participating communities. The Amended and Restated Agreement for the Des Moines Metropolitan Wastewater Reclamation Authority (WRA) was effective on July 1, 2004. This agreement amended and restated the previous Integrated Community Area (I.C.A.) Agreement to provide continued operation, improvements and expansion. The WRA Agreement establishes the WRA as a separate legal entity with its own Board, creates an independent governance structure, establishes an independent bonding authority for the WRA and provides a framework for additional communities to participate.

Annually, the WRA establishes an allocation to all participating communities based on operations, maintenance, debt service and reserve requirements. Allocations are based on wastewater reclamation facility flows and are adjusted prospectively for differences in budgeted flows and actual flows.

As part of the Agreement, the WRA issued debt to advance refund the sewer revenue refunding bonds Series 1997C and 2002D and the state revolving loans SRF2 and SRF3 of the City of Des Moines. In addition, state revolving loans SRF4, SRF6 and SRF7 were reassigned from the City of Des Moines to the WRA. The City of Pleasant Hill had previously entered into various financing agreements with the City of Des Moines to provide for the City of Pleasant Hill's share of capital contributions for the construction and ongoing expansion of the WRA. The issuance of the debt by the WRA to advance refund and reassign previously issued City of Des Moines debt removes the City of Pleasant Hill's previous liability to the City of Des Moines.

The City of Pleasant Hill retains an ongoing financial responsibility to the WRA since it is obligated in some manner for the debts of the joint venture through the annual allocation. Although the debt of the WRA is to be paid solely and only from WRA revenues, the participating communities in the joint venture cannot withdraw from the joint venture while any of the bonds issued during the time the communities were a participating community are still outstanding. The WRA Sewer Revenue Bonds Series 2004A,

## **CITY OF PLEASANT HILL**

### **Notes to Financial Statements - Continued**

June 30, 2007

#### **(4) JOINT VENTURE AND COMMITMENTS - CONTINUED**

2004B and 2006 include provisions that place the WRA debt service requirements on the same parity and rank as other debts of the participating communities.

The WRA Agreement requires the debt service on the Series 2004A bonds to be allocated using the annual flow allocation to the participating communities based on the existing allocations of debt service under the prior I.C.A. agreement. The Series 2004A bonds had a balance of \$16,685,000 as of June 30, 2007. The City of Pleasant Hill has a commitment for approximately \$527,913, or 3.16%, for future principal payment requirements on that debt. The WRA Sewer Revenue Bonds Series 2004B and 2006 bonds were issued for capital expansion. The WRA Agreement requires the debt service on these bonds to be allocated to the participating communities based on the WRA flows of the core communities and expansion communities of each calendar year. As of June 30, 2007, the Series 2004B bonds had a balance of \$65,780,000 and the City of Pleasant Hill's estimated future allocation based on the WRA flows is currently \$699,047, or 1.06%. As of June 30, 2007, the Series 2006 bonds had a balance of \$38,050,000 and the City of Pleasant Hill's estimated future allocation based on the WRA Flows is currently \$344,486 or 0.91%. The State Revolving Loans are to be paid by the participating communities based on the existing allocations under the prior I.C.A. agreement. As of June 30, 2007, the WRA had \$11,824,000 in outstanding State Revolving Loans, of which \$221,234 of future principal debt service is a commitment of the City of Pleasant Hill.

The WRA Agreement does not provide for the determination of an equity interest for the participating communities. Withdrawing from the joint venture is a forfeit of all reversionary interest and no compensation will be paid. Pursuant to the new agreement, the City's investment in the joint venture under the I.C.A. Agreement has been contributed to the new WRA organization. The City retains a reversionary interest percentage in the net assets of the WRA redeemable only in the event the WRA is dissolved. During the year ended June 30, 2007, the City paid the WRA \$402,178 for operations, maintenance, equipment replacements and debt service payments.

The WRA issues separate financial statements that may be obtained at 3000 Vandalia Road, Des Moines, Iowa 50317-1346.

#### **(5) DES MOINES WATER WORKS REVENUE BONDS**

The City entered into an agreement with the Des Moines Water Works to purchase capacity in the Des Moines Water Works water production and delivery systems. The City joined the Des Moines Water Works in the sale of water revenue bonds for this purpose. The water revenue bonds were issued May 15, 1997, and the City of Pleasant Hill's share of the debt issuance originally was \$1,920,000.

On January 1, 2005, the City entered into a total service Chapter 28E agreement with the Des Moines Water Works. Under the agreement, the Des Moines Water Works will provide total water service to consumers located in the City service territory and combined billing services to the City's other utility enterprises. The City maintains ownership of its water utility assets except for customer meters. The Des Moines Water Works will pay the City ten semiannual payments of \$50,000 each beginning June 1, 2005. Beginning January 1, 2005, the City's obligation to reimburse the Des Moines Water Works for debt

## **CITY OF PLEASANT HILL**

### **Notes to Financial Statements - Continued**

June 30, 2007

#### **(5) DES MOINES WATER WORKS REVENUE BONDS - CONTINUED**

service incurred under the 1996 purchased capacity agreement shall be recovered by the Des Moines Water Works revenue from the residents of the City through City water rates, until the original debt is satisfied in full on December 2017. The City's obligation for debt service payments shall resume and continue until satisfied should this agreement be terminated prior to December 2017.

The City is contingently liable as of June 30, 2007, for \$1,375,000 in bond principal and \$446,950 in bond interest if the current agreement with Des Moines Water Works is terminated.

#### **(6) DEVELOPMENT AGREEMENTS**

The City has entered into various development agreements. These agreements call for the City to make economic development tax rebate payments each year out of incremental taxes received by the City. These arrangements run for 5 to 10 years. Payments totaling \$300,694 were made during the year ended June 30, 2007 under these agreements.

The outstanding balance of these development agreements was approximately \$3,024,000 at June 30, 2007. The obligations are considered a general obligation of the City for purposes of determining the City's debt limit.

#### **(7) PENSION AND RETIREMENT BENEFITS**

The City contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, IA 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the City is required to contribute 5.75% of annual covered payroll. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contribution to IPERS for the years ended June 30, 2007, 2006 and 2005 were \$129,312, \$115,208 and \$109,015, respectively, equal to the required contributions for each year.

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457, as amended on August 20, 1996. The plan, available to all City employees, permits them to defer a portion of their salary until future years. The deferred compensation is held in trust for the exclusive benefit of participants (or their beneficiaries in the event of the participant's death) until termination, retirement, death, or an unforeseeable emergency. The City provides neither administrative service to the plan nor investment advice for the plan.



## CITY OF PLEASANT HILL

### Notes to Financial Statements - Continued

June 30, 2007

#### (8) COMPENSATED ABSENCES

City employees accumulate a limited amount of earned but unused vacation and compensatory time for subsequent use or for payment upon termination, retirement, or death. Employees who have accrued 30 days of sick leave may elect, only once during the month of July, to sell back, at fifty percent value, any days in excess of 30 days payable during the month of December. Employees who have accrued 30 days of sick may also elect, at any time, to transfer hours to a retirement fund, at one hundred percent value, any days in excess of 30 days. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned compensated absences payable to employees at June 30, 2007, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation	\$ 104,100
Sick leave	76,400
Compensatory time	<u>49,600</u>
Total	<u>\$ 230,100</u>

This liability has been computed based on rates of pay in effect at June 30, 2007.

#### (9) RELATED PARTY TRANSACTIONS

The City had business transactions between the City and City officials totaling \$1,560 during the year ended June 30, 2007.

#### (10) RISK MANAGEMENT

The City is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool with 556 members from various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 300 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

## **CITY OF PLEASANT HILL**

### **Notes to Financial Statements - Continued**

June 30, 2007

#### **(10) RISK MANAGEMENT - CONTINUED**

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's contributions to the Pool for the year ended June 30, 2007 were \$81,398.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim and \$5,000,000 in aggregate per year. For members requiring specific coverage from \$3,000,000 to \$10,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$100,000 each occurrence, each location, with excess coverage reinsured on an individual-member basis.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2007, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all liability claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a liability claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its capital contributions. However, the refund is reduced by an amount equal to the annual operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The City also carries commercial insurance purchased from other insurers for coverage associated with workmen's compensation insurance. The City assumes liability for any deductibles, and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

## CITY OF PLEASANT HILL

### Notes to Financial Statements - Continued

June 30, 2007

#### (11) IOWA EVENTS CENTER

An agreement was entered into by the City and Polk County, Iowa to commit City funding for the financing of the construction of the Iowa Events Center Project in Des Moines. The City is to provide a grant of \$5,000 per year to be used by the County for the project. The grant is being advanced over 10 years with payments beginning the fiscal year ending June 30, 2004, subject to annual budget allocation and approval.

#### (12) INDUSTRIAL DEVELOPMENT REVENUE BONDS

The City has issued a total of \$6,100,000 of industrial development revenue bonds under the provisions of Chapter 419 of the Code of Iowa, of which \$4,443,213 is outstanding at June 30, 2007. The bonds and related interest are payable solely from the rents payable by tenants of the properties constructed, and the bond principal and interest do not constitute liabilities of the City.

#### (13) CONSTRUCTION CONTRACTS

The City has entered into various construction contracts totaling approximately \$7,637,946. The unpaid contract balances as of June 30, 2007 totaled approximately \$967,476 which will be paid as work progresses.

#### (14) INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2007 is as follows:

Transfer to	Transfer from	Amount
General Fund	Special Revenue Employee Benefits	<u>\$ 301,588</u>
Special Revenue: Library	General Fund	<u>14,469</u>
Debt Service	Special Revenue: TIF	<u>828,797</u>
Capital Projects	General Special Revenue: TIF	60,548  <u>1,530,749</u>

## **CITY OF PLEASANT HILL**

### **Notes to Financial Statements - Continued**

June 30, 2007

#### **(14) INTERFUND TRANSFERS - CONTINUED**

Internal Service	General	301,000
	Enterprise:	
	Water	25,000
	Sewer	<u>25,000</u>
		<u>351,000</u>
Total		<u>\$3,087,151</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

#### **(17) POST-EMPLOYMENT BENEFITS**

All full-time employees who retire or become disabled are offered the following post-employment benefit options:

Health insurance - The option of continuing with the City's health insurance plan at the individual's own cost.

Life insurance - The option of converting the employee's City-paid policy from term insurance to whole life insurance at the individual's expense with the City's life insurance carrier.

Long-term disability - The option of converting the employee's City-paid group policy to a personal policy at the individual's expense with the City's long-term disability insurance carrier.

Health insurance bank - Employees may elect to set aside accrued leave for the purpose of health insurance premiums upon retirement.

The above options, while at the individual's own expense, are included within the City's overall insurance package. Therefore, a portion of the above coverage is being subsidized by the City and its current employees. However, the City cannot reasonably estimate the amount of this subsidy and it is being expenses as incurred by the City.

#### **(18) PENDING LITIGATION**

The City is a defendant in certain lawsuits. Subsequent to the year end the Council agreed to approve a \$45,000 settlement regarding an employee discrimination suit.

#### **(19) SUBSEQUENT EVENTS**

On July 24, 2007, the City approved a \$487,277 contract for the sewer extension project with Holland Contracting Corporation. On August 28, 2007, the City approved payment of \$1,816,833 to Polk County for the N.E. 56th Street Reconstruction Project.

### **Required Supplementary Information**

**CITY OF PLEASANT HILL**

Budgetary Comparison Schedule  
of Receipts, Disbursements, and Changes in Balances -  
Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Funds  
Required Supplementary Information

Year ended June 30, 2007

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to be Budgeted	Net	Budgeted Amounts		Final to Actual Variance- Positive (Negative)
					Original	Final	
Receipts:							
Property tax	\$ 2,146,950	\$ -	\$ -	\$ 2,146,950	\$2,151,800	\$2,151,800	\$ (4,850)
Tax increment financing collections	2,959,637	-	-	2,959,637	2,826,953	2,826,953	132,684
Other City tax	1,060,213	-	-	1,060,213	1,010,320	1,010,320	49,893
Licenses and permits	265,340	-	-	265,340	337,500	417,500	(152,160)
Uses of money and property	154,136	70,617	7,725	217,028	16,000	26,000	191,028
Intergovernmental	1,127,217	104,624	104,624	1,127,217	1,011,199	1,101,199	26,018
Charges for service	322,187	1,568,692	-	1,890,879	1,959,849	1,959,849	(68,970)
Special assessments	3,811	-	-	3,811	-	-	3,811
Miscellaneous	1,196,675	176,444	-	1,373,119	3,430,302	3,608,302	(2,235,183)
Total receipts	<u>9,236,166</u>	<u>1,920,377</u>	<u>112,349</u>	<u>11,044,194</u>	<u>12,743,923</u>	<u>13,101,923</u>	<u>(2,057,729)</u>
Disbursements:							
Public safety	1,419,971	398,574	398,574	1,419,971	1,450,855	1,488,855	68,884
Public works	827,456	102,091	102,091	827,456	944,932	944,932	117,476
Health and social services	6,461	-	-	6,461	10,500	10,500	4,039
Culture and recreation	585,022	-	-	585,022	616,655	616,655	31,633
Community and economic development	698,486	-	-	698,486	685,866	765,866	67,380
General government	576,011	61,569	61,569	576,011	553,514	610,514	34,503
Debt service	1,568,262	-	-	1,568,262	1,580,214	1,580,214	11,952
Capital projects	2,701,869	-	-	2,701,869	5,354,369	5,494,369	2,792,500
Business-type activities	-	1,337,035	-	1,337,035	1,553,267	1,643,267	306,232
Total disbursements	<u>8,383,538</u>	<u>1,899,269</u>	<u>562,234</u>	<u>9,720,573</u>	<u>12,750,172</u>	<u>13,155,172</u>	<u>3,434,599</u>
Excess (deficiency) of receipts over (under) disbursements	852,628	21,108	(449,885)	1,323,621	(6,249)	(53,249)	1,376,871
Other financing sources (uses), net	<u>(300,407)</u>	<u>301,000</u>	<u>502,000</u>	<u>(501,407)</u>	<u>-</u>	<u>47,000</u>	<u>(548,407)</u>
Excess (deficiency) of receipts over (under) disbursements and other financing uses	552,221	322,108	52,115	822,214	(6,249)	(6,249)	828,463
Balances beginning of year	<u>4,001,551</u>	<u>1,092,349</u>	<u>270,007</u>	<u>4,823,893</u>	<u>1,574,048</u>	<u>1,574,048</u>	<u>3,249,844</u>
Balances end of year	<u>\$ 4,553,772</u>	<u>\$ 1,414,457</u>	<u>\$ 322,122</u>	<u>\$ 5,646,107</u>	<u>\$1,567,799</u>	<u>\$1,567,799</u>	<u>\$ 4,078,308</u>

See accompanying independent auditor's notes.

## **CITY OF PLEASANT HILL**

### **Required Supplemental Information**

#### **Notes To Required Supplementary Information - Budgetary Reporting**

June 30, 2007

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except internal service funds and fiduciary funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund or fund type. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business-type activities and non-program. Function disbursements required to be budgeted include disbursements for the general fund, special revenue funds, debt service fund, capital project funds and proprietary funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$405,000. This budget amendment is reflected in the final budgeted amounts.

## **Other Supplementary Information**



CITY OF PLEASANT HILL

Schedule of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Nonmajor Governmental Funds

As of and for the year ended June 30, 2007

	Special Revenue							Permanent	
	Road Use Tax	Drug Enforcement Agency	Employee Benefit Tax	Avenue of Flags	Park and Recreation Complex	Library	Memorial	Cemetary Perpetual Care	Total
Receipts:									
Property tax	\$ -	\$ -	\$205,869	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 205,869
Other City tax	-	-	99,627	-	-	-	-	-	99,627
Use of money and property	5,575	938	917	75	1,715	811	42	2,031	12,104
Intergovernmental	580,164	-	-	-	-	-	-	-	580,164
Charges for services	-	-	-	-	-	-	-	1,740	1,740
Total receipts	585,739	938	306,413	75	1,715	811	42	3,771	899,504
Disbursements:									
Operating:									
Public works	515,159	-	-	-	-	-	-	-	515,159
Total disbursements	515,159	-	-	-	-	-	-	-	515,159
Excess (deficiency) of receipts over (under) disbursements	70,580	938	306,413	75	1,715	811	42	3,771	384,345
Operation financing sources (uses):									
Operating transfers in	-	-	-	-	-	14,469	-	-	14,469
Operating transfers out	-	-	(301,588)	-	-	-	-	-	(301,588)
Total other financing sources (uses)	-	-	(301,588)	-	-	14,469	-	-	(287,119)
Net change in cash balances	70,580	938	4,825	75	1,715	15,280	42	3,771	97,226
Cash balances beginning of year	142,237	22,277	-	2,075	39,292	21,336	1,165	46,493	274,875
Cash balances end of year	\$ 212,817	\$ 23,215	\$ 4,825	\$ 2,150	\$ 41,007	\$ 36,616	\$ 1,207	\$ 50,264	\$ 372,101
<b>Cash Basis Fund Balances</b>									
Unreserved:									
Special revenue funds	\$ 212,817	\$ 23,215	\$ 4,825	\$ 2,150	\$ 41,007	\$ 36,616	\$ 1,207	\$ -	\$ 321,837
Permanent fund	-	-	-	-	-	-	-	50,264	50,264
Total cash basis fund balances	\$ 212,817	\$ 23,215	\$ 4,825	\$ 2,150	\$ 41,007	\$ 36,616	\$ 1,207	\$ 50,264	\$ 372,101

See accompanying independent auditor’s notes.

CITY OF PLEASANT HILL

Schedule of Indebtedness

Year ended June 30, 2007

Obligation	Date of Issue	Interest Rates	Amount Originally Issued	Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
General Obligation Bonds:								
Corporate Purpose	Jul 1, 1998	4.70 - 4.80%	\$ 500,000	\$ 175,000	\$ -	\$ 55,000	\$ 120,000	\$ 8,258
Refunding Notes Series 1998	Nov 1, 1998	4.15 - 4.45%	2,355,000	1,465,000	-	240,000	1,225,000	62,505
Corporate Purpose	Aug 1, 1999	4.85 - 5.00%	335,000	150,000	-	35,000	115,000	7,337
Fire Equipment Notes	May 1, 2000	5.30 - 5.80%	870,000	650,000	-	50,000	600,000	36,133
Corporate Purpose	Aug 1, 2000	5.30 - 5.50%	400,000	225,000	-	40,000	185,000	12,072
Corporate Purpose	Jul 1, 2001	4.50 - 4.60%	370,000	160,000	-	55,000	105,000	7,195
Corporate Purpose and Refunding	Mar 1, 2003	2.55 - 3.60%	1,335,000	690,000	-	170,000	520,000	20,320
Urban Renewal Corporate Purpose	May 1, 2003	2.90 - 3.45%	4,655,000	3,370,000	-	430,000	2,940,000	106,083
Urban Renewal	April 15, 2004	2.80 - 3.80%	2,000,000	1,805,000	-	110,000	1,695,000	58,812
Urban Renewal Corporate Purpose	June 27, 2006	3.70 - 3.95%	1,700,000	1,700,000	-	-	1,700,000	60,647
				<u>\$10,390,000</u>	<u>\$ -</u>	<u>\$ 1,185,000</u>	<u>\$ 9,205,000</u>	<u>\$ 379,362</u>
General Obligation Note:								
Fire Truck Equipment Note	May 22, 2007	3.90%	\$151,000	<u>\$ -</u>	<u>\$ 151,000</u>	<u>\$ -</u>	<u>\$ 151,000</u>	<u>\$ -</u>

See accompanying independent auditor’s report.

CITY OF PLEASANT HILL

Bond Maturities

June 30, 2007

Year Ending June 30,	General Obligation Bonds													
	Corporate Purpose Notes		Refunding Notes Series 1998		Corporate Purpose Notes		Fire Equipment Notes		Corporate Purpose and Refunding Bonds Series 2003 A		Urban Renewal Corporate Purpose Bonds Series 2003B		Corporate Purpose Notes	
	Issued July 1, 1998		Issued November 1, 1998		Issued August 1, 1999		Issued May 1, 2000		Issued March 1, 2003		Issued May 1, 2003		Issued August 1, 2000	
	Interest		Interest		Interest		Interest		Interest		Interest		Interest	
	Rates	Amount	Rates	Amount	Rates	Amount	Rates	Amount	Rates	Amount	Rates	Amount	Rates	Amount
2008	4.70%	\$ 60,000	4.15%	\$ 185,000	4.85%	\$ 35,000	5.30%	\$ 55,000	2.55%	\$ 80,000	2.900%	\$ 445,000	5.30%	\$ 45,000
2009	4.80	60,000	4.20	190,000	4.90	40,000	5.35	55,000	2.85	80,000	2.950	460,000	5.35	45,000
2010	-	-	4.25	200,000	5.00	40,000	5.40	60,000	3.10	85,000	3.125	480,000	5.40	45,000
2011	-	-	4.30	205,000	-	-	5.50	60,000	3.30	90,000	3.250	495,000	5.50	50,000
2012	-	-	4.40	220,000	-	-	5.60	65,000	3.50	90,000	3.350	520,000	-	-
2013	-	-	4.45	225,000	-	-	5.65	70,000	3.60	95,000	3.450	540,000	-	-
2014	-	-	-	-	-	-	5.70	75,000	-	-	-	-	-	-
2015	-	-	-	-	-	-	5.75	80,000	-	-	-	-	-	-
2016	-	-	-	-	-	-	5.80	80,000	-	-	-	-	-	-
2017	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2018	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2019	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total		\$ 120,000		\$1,225,000		\$ 115,000		\$ 600,000		\$ 520,000		\$ 2,940,000		\$ 185,000

See accompanying independent auditor’s report.

## CITY OF PLEASANT HILL

## Bond Maturities - Continued

June 30, 2007

Year Ending June 30,	General Obligation Bonds						
	Corporate Purpose Notes Issued July 1, 2001		Urban Renewal Municipal Building Bond Issued April 15, 2004		Urban Renewal Corporate Purpose Issued June 27, 2006		Total
	Interest		Interest		Interest		
	Rates	Amount	Rates	Amount	Rates	Amount	
2008	4.50%	\$ 55,000	2.80%	\$ 115,000	3.70%	\$ 120,000	\$1,195,000
2009	4.60	50,000	2.85	115,000	3.75	130,000	1,225,000
2010	-	-	2.90	120,000	3.75	135,000	1,165,000
2011	-	-	2.95	125,000	3.80	310,000	1,335,000
2012	-	-	2.95	130,000	3.85	320,000	1,345,000
2013	-	-	3.15	135,000	3.90	335,000	1,400,000
2014	-	-	3.30	140,000	3.95	350,000	565,000
2015	-	-	3.40	150,000	-	-	230,000
2016	-	-	3.50	155,000	-	-	235,000
2017	-	-	3.60	160,000	-	-	160,000
2018	-	-	3.70	170,000	-	-	170,000
2019	-	-	3.80	180,000	-	-	180,000
Total		\$ 105,000		\$1,695,000		\$1,700,000	\$ 9,205,000

See accompanying independent auditor's report.

## CITY OF PLEASANT HILL

Schedule of Receipts by Source and Disbursements by Function -  
All Governmental Fund Types

For the Years Ended

	June 30,			
	2007	2006	2005	2004
Receipts:				
Property and other city tax	\$ 3,207,163	\$ 2,915,275	\$ 2,807,629	\$ 2,681,647
Tax increment financing collections	2,959,637	2,296,189	1,845,602	1,294,555
Licenses and permits	265,340	341,383	235,625	189,212
Use of money and property	154,136	77,277	65,189	58,062
Intergovernmental	1,127,217	706,175	618,100	666,313
Charges for services	322,187	230,690	161,467	157,267
Special assessments	3,811	38,875	19,288	72,577
Miscellaneous	1,196,675	908,321	201,290	1,081,837
Total	<u>\$ 9,236,166</u>	<u>\$ 7,514,185</u>	<u>\$ 5,954,190</u>	<u>\$ 6,201,470</u>
Disbursements:				
Operating:				
Public safety	\$ 1,419,971	\$ 1,249,879	\$ 1,137,652	\$ 1,036,255
Public works	827,456	741,330	622,069	567,577
Health and social services	6,461	7,500	3,613	5,654
Culture and recreation	585,022	547,991	515,139	503,001
Community and economic development	698,486	629,212	187,838	1,015,949
General government	576,011	519,819	374,468	347,348
Debt service	1,568,262	1,536,385	2,043,696	1,347,848
Capital projects	2,701,869	3,050,600	5,124,447	2,835,298
Total	<u>\$ 8,383,538</u>	<u>\$ 8,282,716</u>	<u>\$10,008,922</u>	<u>\$ 7,658,930</u>

See accompanying independent auditor's report.

## CITY OF PLEASANT HILL

## Schedule of Expenditures of Federal Awards

Year ended June 30, 2007

Grantor/Program	CFDA Number	Agency Pass-Through Number	Program Expenditures
Indirect:			
U.S. Department of Transportation			
Iowa Department of Transportation			
Highway Planning and Construction	20.205	1-05-STPU-024	\$ 341,000
Governor's Traffic Safety Bureau:			
National Highway Traffic Safety			
Administration	20.604	PAP 06-04, TASK 26	8,491
		PAP 06-163, TASK 55	7,898
Direct:			
U.S. Department of Justice			
Cops UHSA	16.710	2004UMWXCO18	65,176
U.S. Department of Homeland Security	97.044	EMW-2006-FG-04993	<u>104,625</u>
Total			<u>\$ 527,190</u>

**Basis of Presentation** - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Pleasant Hill and is presented in conformity with an other comprehensive basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.



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## **INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Honorable Mayor and  
Members of the City Council:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Pleasant Hill, Iowa as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements listed in the table of contents and have issued our report thereon dated October 5, 2007. Our report expressed an unqualified opinion on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City of Pleasant Hill's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the City of Pleasant Hill's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Pleasant Hill's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Pleasant Hill's ability to initiate, authorize, record, process, or report financial data reliably in accordance with an other comprehensive basis of accounting such that there is more than a remote likelihood a misstatement of the City of Pleasant Hill's financial statements that is more than inconsequential will not be prevented or detected by the City of Pleasant Hill's internal control. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by the City of Pleasant Hill's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe items II-A-07 and II-B-07 are material weaknesses.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Pleasant Hill's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance that are described in Part IV of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2007 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The City of Pleasant Hill's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the City's responses, we did not audit the City of Pleasant Hill's responses, and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Pleasant Hill and other parties to whom the City of Pleasant Hill may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Pleasant Hill during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

*Martens & Company, CPA, LLP*

West Des Moines, Iowa  
October 5, 2007





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### **INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Honorable Mayor and  
Members of the City Council:

#### **Compliance**

We have audited the compliance of the City of Pleasant Hill, Iowa, with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2007. The City of Pleasant Hill's major federal program is identified in Part I of the accompanying Schedule of Findings. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its major federal program is the responsibility of the City of Pleasant Hill's management. Our responsibility is to express an opinion on the City of Pleasant Hill's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards, and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Pleasant Hill's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Pleasant Hill's compliance with those requirements.

In our opinion, the City of Pleasant Hill complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2007.

#### **Internal Control Over Compliance**

The management of the City of Pleasant Hill is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered the City of Pleasant Hill's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Pleasant Hill's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the City's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified a deficiency in internal control over compliance that we consider to be a material weakness.

A control deficiency in the City's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect non-compliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to administer a federal program such that there is more than a remote likelihood non-compliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the City's internal control. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings as items III-A-07 and III-B-07 to be a significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood material non-compliance with a type of compliance requirement of a federal program will not be prevented or detected by the City's internal control. We consider the significant deficiencies in internal control over compliance described in the accompanying Schedule of Findings as item III-A-07 and III-B-07 to be a material weakness.

The City of Pleasant Hill's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the City's responses, we did not audit the City of Pleasant Hill's responses, and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Pleasant Hill and other parties to whom the City of Pleasant Hill may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

*Martens & Company, CPA, LLP*

West Des Moines, Iowa  
October 5, 2007

## CITY OF PLEASANT HILL

### Schedule of Findings

Year ended June 30, 2007

#### **Part I: Summary of the Independent Auditor's Results:**

- (a) Unqualified opinions were issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.
- (b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements, including material weaknesses.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) Significant deficiencies in internal control over the major program were disclosed by the audit of financial statements, which are considered to be a material weaknesses.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit disclosed audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major program was CFDA Number 20.205 - Highway Planning and Construction.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) The City of Pleasant Hill did not qualify as a low-risk auditee.

## CITY OF PLEASANT HILL

### Schedule of Findings

Year ended June 30, 2007

#### **Part II: Findings Related to the Financial Statements:**

##### **INSTANCES OF NON-COMPLIANCE:**

No matters were reported.

##### **SIGNIFICANT DEFICIENCY:**

- II-A-07     Segregation of Duties - One important aspect of internal accounting control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that certain functions are not entirely segregated.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, the City should continue to monitor its control procedures to obtain the maximum internal control possible under the circumstances.

Response - We will monitor the procedures as suggested.

Conclusion - Response accepted.

- II-B-07     Preparation of Financial Statements - The City does not have an internal control system designed to provide for the preparation of the financial statements being audited. As auditors, we were requested to draft the financial statements and accompanying notes to the financial statements.

Recommendation - We realize that obtaining the expertise necessary to prepare the financial statements, including all necessary disclosures, can be considered costly and ineffective. However, the City's management and those charged with governance should decide whether to accept the degree of risk associated with this condition because of cost of other considerations.

Response - We are aware of the situation and will continually review the risks associated with this condition because of cost or other considerations.

Conclusion - Response accepted.

- II-C-07     Employee Benefits Fund - Property tax receipts received from the county were reflected in part in the general fund. Employee benefit receipts should be recorded in its own separate special revenue fund.

Recommendation - When receipts received from the county are posted to the books, City personnel should establish procedures to insure that amounts are posted to the special revenue fund established by the City.

## CITY OF PLEASANT HILL

### Schedule of Findings

Year ended June 30, 2007

#### **Part II: Findings Related to the Financial Statements - Continued:**

Response - We found that the funds had not been recorded properly and made adjustments to the books to correct the fund's cash balance but missed the correction to the receipts account. We have established new procedures to correct this issue.

Conclusion - Response accepted.

II-D-07      Equipment Sales - An employee of the City had established an account on Ebay to sell and buy minor equipment items of the City. The transactions were not reflected on the books and records of the City.

Recommendation - The City should only allow items to be bought and sold on Ebay after a City policy has been approved by the council and controls established to insure that all activity is monitored and recorded on the books of the City.

Response - No material sales or purchases were made on the Ebay account. The account was closed subsequent to the year end with the balance of the funds being deposited into the City's checking account. The City will consider new policies and procedures to put into place if items will be sold on Ebay or similar sites in the future.

Conclusion - Response accepted.

## CITY OF PLEASANT HILL

### Schedule of Findings

Year ended June 30, 2007

#### **Part III: Findings for Federal Awards:**

##### **INSTANCES OF NON-COMPLIANCE:**

No matters were reported.

##### **SIGNIFICANT DEFICIENCY:**

III-A-07     Segregation of Duties - One important aspect of internal accounting control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that certain functions are not entirely segregated.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, the City should continue to monitor its control procedures to obtain the maximum internal control possible under the circumstances.

Response - We will monitor the procedures as suggested.

Conclusion - Response accepted.

III-B-07     Preparation of Financial Statements - The City does not have an internal control system designed to provide for the preparation of the financial statements being audited. As auditors, we were requested to draft the financial statements and accompanying notes to the financial statements.

Recommendation - We realize that obtaining the expertise necessary to prepare the financial statements, including all necessary disclosures, can be considered costly and ineffective. However, the City's management and those charged with governance should decide whether to accept the degree of risk associated with this condition because of cost of other considerations.

Response - We are aware of the situation and will continually review the risks associated with this condition because of cost or other considerations.

Conclusion - Response accepted.

## CITY OF PLEASANT HILL

### Schedule of Findings

Year ended June 30, 2007

#### **Part IV: Other Findings Related to Required Statutory Reporting:**

- IV-A-07 Certified Budget - Disbursements during the year ended June 30, 2007 did not exceed the amounts budgeted.
- IV-B-07 Questionable Disbursements - No disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- IV-C-07 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- IV-D-07 Business Transactions - Business transactions between the City and City officials or employees are detailed as follows:

Name, Title, and Business Connection	Transaction Description	Amount
Shaun Rivas, Relative of Council member		
Shaun Rivas Communications	Phone system maintenance	\$ 1,560

These transactions do not appear to represent a conflict of interest since they were approved by the City Council.

- IV-E-07 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that coverage is adequate for current operations.
- IV-F-07 Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.
- IV-G-07 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy.
- IV-H-07 Revenue Notes - The City has complied with the urban renewal tax increment financing refunding bond requirements for the year ended June 30, 2007.